

**STATEMENT OF EVANS J. PLOWDEN, JR.  
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AMERICAN PEANUT SHELLERS ASSOCIATION, INC.**

Mr. Chairman, let me thank you and the members of this committee for the opportunity for American Peanut Shellers to report to you our view of the Peanut Title of the 2002 Farm Bill.

Mr. Chairman, I have had the privilege of testifying before this committee on behalf of peanut shellers many times. I am confident that I can say that never before have I come before you with so few complaints.

The 2002 Farm Bill has been a substantial success for the peanut industry. Very few people, including me, thought that Congress could pass the farm bill consistent with the ambitious schedule initially set by Chairman Combest and Mr. Stenholm. But you did pass it. And you passed a good bill from the standpoint of our industry.

You sought to free the U.S. peanut industry so that it could compete with imports into the U.S. I am happy to say, you were successful. With the import year for WTO almost over, the TRQ for Argentina is only 36 % filled. Under the old program it was 100% filled on opening day, April 1. The Mexican quota under NAFTA was only 25.8% filled for calendar year 2003. The U.S. industry, freed from the strictures of the old quota system, has proven that it can compete.

You sought to free the industry to grow its domestic market. I am happy to say, you succeeded. Domestic demand is growing. In fact, some believe that if the domestic demand continues to increase at the current level and production remains stable, our entire U.S. production would be used for domestic demand by the year 2009. If that should happen, it would be the first time in a very, very long time and is quite a tribute to the changes you made.

You sought to eliminate outdated regulations on the peanuts that shellers could buy and sell. I am happy to say that your efforts were successful. I want to commend Undersecretary Bill Hawks and the Agricultural Marketing Service for following the suggestions of the new Peanut Standards Board in freeing the U.S. industry, growers, shellers and manufacturers, to compete on a level playing field, both in the U.S. and abroad. The old Peanut Administrative Committee, which you eliminated, created restrictions that put the U.S. industry at a competitive disadvantage with respect to our foreign competitors and prevented numerous efficiencies. Undersecretary Hawks and AMS have followed your guidance, leveled that playing field and allowed us to be more competitive. There are numerous examples of these changes. One very important example is that now shellers may purchase Segregation 3 peanuts from farmers. Under the old Farm Bill regulations, such purchases were prohibited. Modern technology allows shellers to sort out bad peanuts then utilize the good peanuts and continue to meet the

stringent outgoing quality requirements that must be met for all peanuts before they may be shipped into the edible trade. Outgoing quality requirements remain and are more stringent than would be allowed under FDA regulations. Therefore, there has been no relaxation of food safety regulations, but rather a recognition that technology will allow these peanuts to be purchased and, therefore, not penalize farmers. In some instances Segregation 3 peanuts have been purchased for prices equaling those paid for Segregation 1 peanuts. In all cases, they have been purchased at significantly higher prices than would be available to the farmer if he or she was forced to place the peanuts in the marketing assistance loan program.

There is more to do, but we are all working together to get there.

Of course, one problem that we all faced was that the new Farm Bill did not become law until May, 2002. This was after the planting decision for many crops, including peanuts, had been made. So there was precious little time for the huge adjustments that USDA, and particularly FSA, had to make. I am not going to be Pollyanna and tell you that everything worked smoothly during the 2002 crop. But I will say to you with absolute sincerity that everyone involved, Undersecretary J.B. Penn and his people, shellers, farmers, warehouse operators, buying point operators, FSIS and local FSA offices worked long and hard to reasonably, and I emphasize reasonably, work through the issues that arose. We could easily have had a train wreck with the 2002 crop,

but we did not. A lot of people in a lot of places deserve all our thanks.

Crop Year 2003 was much smoother, but we still have some improvements to make. Thankfully, the people at USDA are working in good faith with the industry to solve the problems and make the appropriate improvements.

One area that continues to need improvement is the ability to more efficiently fund and pay off marketing assistance loans. We think structural improvements are needed for that to be accomplished. FSA offices in peanut producing areas have worked very hard, but the truth is that in some of our areas the harvest is so large and so compressed that the workload, on a short-term basis, is almost overwhelming.

I am aware that Congress chose to eliminate the use of loan service agents for peanuts. That decision was made to allow area associations to have the opportunity to make the transition to this new program. We all understand that. However, we believe that, particularly in some of the heavy production areas, everyone would benefit if Congress authorized the use of loan service agents to expedite the efficient loan process.

Another result of the freedom that the new program allows is that growers who were not legally allowed to produce peanuts for this U.S. edible market are now free to do so. We have seen new areas and new farmers enter the market, producing high quality peanuts for the trade at a profit to themselves.

In summary, Mr. Chairman, we think Congress did well with the new program.

We think USDA has worked hard and reasonably to implement it. Consumption is increasing which gives the entire industry more opportunities for growth.

Again, thank you for this opportunity to present our views.

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